January 2006

OZ IT

Australian ICT Bulletin

U.S. Commercial Service, Australia

Welcome

Inside this Issue

The data provided in this bulletin is given solely as an information resource and does not imply endorsement by the U.S. Dept. of Commerce.

To the Australian IT Bulletin

This monthly publication contains useful business intelligence on the Australian IT market.

In this issue, you'll find information on:

- Happenings in the Telecommunications Sector
- Preview of Year Ahead
- Lists of local ISPs and Distributors of Software Development tools
- And much, much, more!

For further information on the articles in this publication or on any aspect of the Australian IT market, please contact
Duncan Archibald, Commercial Specialist, IT
Duncan.archibald@mail.doc.gov
Tel: 61 2 9373 9212
Fax: 61 2 9221 0573
www.buyusa.gov/australia/

What's Happening at the Commercial Service, Australia

Welcome to the first OZ ICT Bulletin for 2006!

USA Pavilion at CeBIT Australia, May 9-11

Our first major promotion for the year will be the **USA Pavilion** that we are organizing for this year's **CeBIT Australia, Sydney, May 9-11**. The US Commercial Service has allocated space at the show for US ICT exhibitors as well as Australian distributors/subsidiaries of US companies' products. There are a range of options available for participation in the USA Pavilion, from taking space on the floor, participating only with catalogs, through to allowing the Commercial Service in Australia to identify potential partners and distributors and organizing meetings to discuss business opportunities. For more information on the CeBIT Australia show please go to www.hannoverfairs.com.au. For more information on our USA Pavilion please contact duncan.archibald@mail.doc.gov or tel: 61 2 9373 9212 or Sandra.Campbell@mail.doc.gov or Tel: 1 727 893 3738 or go to http://www.buyusa.gov/australia/en/cebit.html.

Australian ICT Market in 2006

Overall, the local ICT industry is pretty upbeat about prospects for this year. At a government level, several Federal Government contracts are up for renewal this year, and local and foreign companies are positioning themselves to get a share of these lucrative contracts. Traditionally, these whole-of-departmental contracts have been awarded to CSC, EDS or IBMGSA with large Australian companies such as KAZ, Alpha West, Ipex (now part of the Volante Group), and ASI taking out some of the smaller deals. Indian service companies are now positioning themselves to do some of the service/outsourcing components as well. However, with the U.S.-Australia Free Trade Agreement ratified, U.S. ICT companies can feel a level of optimism about bidding on these contracts as freely as their Australian counterparts.

The healthcare industry is also undergoing a major upheaval with requests for tenders being put out at State and Federal levels for electronic records management solutions. As you are all aware, however, the sales cycles on government contracts can be inordinately long and so patience is required when bidding for these contracts.

We are seeing good growth in the local broadband market and so any US companies who have attendant solutions will find there is good local demand for their products. Internet security is another area of rapid growth and products will be well received. There seems to be a fair level of interest for work flow related products, as well as solutions for corporate governance, and ITIL compliance.

We hope you will enjoy this month's IZ ICT Bulletin. If you would like to suggest request topics for articles or discussion please drop me a line at duncan.archibald@mail.doc.gov or alternatively, if you would like to be put on our mailing list.

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Telecommunications News

Broadband Access

Net Speeds off the Pace

According to the Australian Competition and Consumer Commission (ACCC) the number of broadband Internet connections in both homes and small businesses have doubled over the past 12 months. More than 1.2 million new customers have signed up for high-speed connections, a 20% increase in the September quarter of 2005. This represents an increase of over one million customers or 98% in the preceding year according to the ACCC. However, compared to the rest of the world Australia off the pace in terms of Net speed. In local developments, telecommunications giant Telstra has proposed a multi-billion-dollar roll-out of fibre to the home (Ftth) to provide faster download speeds for multimedia applications, but wants the government to give regulatory conditions to guarantee its return on investment.

Optus 3G network finally kicks off

Optus finally launched the 3G network in November, 2005 making it immediately available to Sydney, Melbourne, Canberra and Brisbane CBDs and at airports in Brisbane, Perth and Adelaide. There was some delay due to handsets being non-compatible with all services. The 3G services from Optus include video-calls and instant messaging service. Most services also offer some form of entertainment and news.

Mobiles

Ericsson Bulks up for $1bn 3G Deal

Telstra will outsource construction and integration of its new UMTS, 850Mhz mobile network to Swedish vendor Ericsson. Ericsson employs 1400 fulltime staff, 450 whom work for the services business. Only 15% of this business services Australia, but the proportion will increase as the Telstra network building gathers pace. Within four years, CDMA is planned to close to consolidate the company's networks, and the company will upgrade using the network's EV-DO. A national EV-DO network would cost Telstra $150 million, but the company has only upgraded stations across Sydney and sporadically in other state capital cities. The plan for Telstra to become a 3G network will happen in two phases. The expectation is have the 850MHz network ready in late 2007.

Band Widths

Network	MH nd	Start	Close
Analogue AMPS	850	1989	1999
GSM	900	1992	N
CDMA EV-DO	850	1998	2008?
UMTS	2100	2004	No plans
UMTS	850	2006	No plans

Source:IT Today, Australian Tuesday December 13,

Future Tech Spending

Global Tech Budgets Head for $2350bn

Analyst group Gartner, reports that Australia's enterprise technology spending will compound annual growth of 1.3% from 2004 to 2009. Gartner forecasts the total worldwide enterprise technology spending including hardware, software, telecommunications and services will reach $2350 billion ($US1768 billion) with an annual growth of 4.5% in 2004 – 2009. In the Asia-Pacific region, enterprise tech spending is expected to have an annual growth of 7.5% over the same period. Gartner notes that by 2008, China will become the largest population with English-speaking capability, affecting business and technology globally. The majority of new information technology will have a transition to the consumer sector between 2006 and 2010 including 3D graphics, rich media and consumer-oriented websites, such as Amazon, eBay and Google.

Want to Enter the Australian Market?

Why Not Exhibit in the USA Pavilion at CeBIT Australia May 9-11 at the Sydney Exhibition Centre.

Over 20,000 attendees walk the exhibits over the three day show.

Contact Duncan Archibald at the US Commercial Service in Australia for more information on participating in the USA Pavilion.

Duncan.archibald@mail.doc.gov

Services to dominate Federal Government procurement

Under the Australia / US Free Trade Agreement (FTA), local Federal Government agenies are required to issue a 12- month procurement plan in order to assist ICT companies who are planning to bid on projects. This is the first time that agencies would give industry forewarning of upcoming opportunities in the public sector by publishing proposed procurements. To help vendors, local consulting company, ntermedium (www.intermedium.com.au) has compiled a report of specific ICT needs of the agencies, 500 ICT procurements had been listed for the following year.
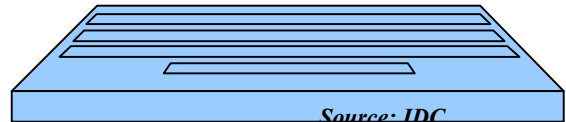
IT industry gives ground on recycling

The Australian Information Industry Association (AIIA) revised its proposal to government ministries just before Christmas regarding the recycling of computer equipment and waste. The AIIA has given an industry commitment to recycling existing and future wastes, but find it unreasonable for hardware manufacturers to be expected to recycle anything other than their own electronic waste. AIIA's conditions also include that the government must purchase computer equipment from companies supporting the recycling. The New South Wales government is interested in pursuing national regulation that could include an excise on all imported computers or a levy point of sale if the industry did not overhaul its recycling plan.

TOP 5 COMMERCIAL VENDORS

Portable PC market share	
1. IBM	17.8%
2. Dell	15.3%
3. Acer	15.2%
4. Toshiba	15.0%
5. HP	13.1%
6. Others	23.6%

Source: IDC

Top 5 Consumer Vendors

Portable PC market share	
1. HP	30.6%
2. Toshiba	19.7%
3. Dell	11.7%
4. Acer	10.8%
5. LG	7.3%
6. Others	19.9%

Source: International Data Corp (IDC)

Local PC Makers Report Flagging Sales

Australian-owned PC manufacturers and assemblers are suffering steady declines in market share vis a vis the global manufacturers. With brand names such as Dell and HP having the economies to out-price local competition, Australian manufacturers held only 50% combined market share of the desktop market and little over 6% of the increasing notebook market. Some of the principal local assemblers include ASI Solutions, Ipex/Volante and Optima.

Preview of IT in 2006

New projects boost to Provide IT Service Growth

Australia's listed technology companies are looking for better opportunities in 2006 as business and government buyers upgrade computer systems. The best opportunities within the IT sector include companies providing voice over Internet protocol (VoIP), and broadband solutions. 2005 was also a good year for the Australian Stock Exchange-listed IT companies as end-users moved from just maintenance spending to new project spending. The *Australian Financial Review's* survey of the 42 listed companies showed a 22.8% increase in revenue, and a net profit improvement of almost 250% to $282.6 million in the 2005 fiscal year. The year is expected to be very strong for IT companies, but to grow slow in 2007.

ITcontracts deliver $2.3Billion Bonanza

As reported earlier, some departmental IT contracts at the Federal Governm level are almost due for review. Whilst the industry is of the belief that these contracts will be one of the key drivers of the local IT market this year, the Federa Government is looking into changing the one-size fits all approach it has used for the last six years, to smaller contracts. This initiative will undoubtably meet with the approval of smaller service providers who previously couldn't compete against the likes of CSC, EDS or IBM. It is estimated that these Federal contracts will be worth in the vicinity of US$2.34 billion. Some of the departments who will be involved in requesting the provision of IT equipment and services include the Department of Agriculture, Fisheries and Forestry, the Department of the Environmen

Federal Government Schedule of ICT Procurements FY05/06

	Q1	Q2	Q3	Q4
Hardware	45	32	19	19
IT Services	124	44	30	13
Large Office Machines	9	3	6	1
Software	52	19	19	11
Telecommunications	35	17	19	10

Sourcce: Intermedium

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Australian Distributors of Software Development Tools

Aeronaut Industries Pty Ltd/Intrepid Distribution

Ms Coral de Crespigny, Managing Director
Phone: 61 2 9436 1175 ext. 230   Fax: 61 2 9436 1184
Email: corald@aeronaut.com.au

Ground Floor, 48 Chandos Street
St Leonards, NSW 2065
Web Site: www.aeronaut.com.au

MicroWay Pty Ltd

Mr David Looke, Managing Director
Phone: 61 3 9580 1333   Fax: 61 3 9580 8995
Email: davidl@microway.com.au

1/16 Tarnard Drive
Braeside, VIC 3195
sales@microway.com.au
Web Site: www.microway.com.au

SoftGen Australia Pty Ltd

Mr Malcolm Pooley, National Distribution & Alliances Manager
Phone: 61 2 9436 2788 X. 204   Fax: 61 2 9436 2755
Cell Phone: 0412 489 762
Email: malcolmp@sgen.com.au

Suite 201, 10 Clarke Street
Crows Nest, NSW 2065
Web Site: www.sgen.com.au
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Local Distributors of Workflow Solutions

Aspcenta Pty Ltd

Mr Colin Hickey, Managing Director
Phone: 61 2 9572 9133   Fax: 61 2 9572 9144
Email: colin@mtn.com.au
Ms Margaret Hickey, Director & Business Manager
Phone: 61 2 9572 9133   Fax: 61 2 9572 9144

57-59 Renwick Street
Leichhardt, NSW 2040
Web Site: www.aspcenta.com.au

CompuTechnics Pty Ltd

Mr. Tony Walls, Director
Phone: 61 2 9955 2288   Fax: 61 2 9955

Level 32, 100 Miller Street
North Sydney, NSW 2060
Web Site: www.computechnics.com.au

Modulo Systems (Australia) Pty Ltd

Mr Andrew Stowell, General Manager

97 Rose Street
Chippendale, NSW 2008
Web Site: www.modulosystems.com.au

Prime Management Systems Pty Ltd

Mr Rick Stannard, Managing Director
Phone: 61 2 8902-4493
Email: rtstannard@primeltd.com.au

4/54 Milson Road
 Cremorne Point , NSW 2090
Web Site: www.primeltd.com.au

The Westbourne Group

Mr Stephen Davey, Director
Phone: 61 2 6260 4700   Fax: 61 2 9260 4333
Email: sdavey@westbourne.com.au

2/19 Napier Close
Deakin, ACT 2600
Web Site: www.westbourne.com.au